

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Reeder Township	County Missaukee
Fiscal Year End 3-31-2006	Opinion Date 6-7-06	Date Audit Report Submitted to State August 2, 2006	

We affirm that:


We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☐ ☒ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.		Telephone Number 231-775-9789	
Street Address 134 West Harris Street		City Cadillac	State MI
		Zip 49601	
Authorizing CPA Signature 		Printed Name Jonathan E. Damhof, C.P.A.	License Number 1101022613

REEDER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

MARCH 31, 2006

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

MARCH 31, 2006

TABLE OF CONTENTS

	<u>PAGES</u>
Independent Auditors' Report	i-ii
Management's Discussion and Analysis	iii-ix
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Balance Sheet to the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balance	5
Reconciliation of the Statement of Revenues, Expenditures and Changes In Fund Balances to the Statement of Activities	6
Fiduciary Fund	
Statement of Fiduciary Assets and Liabilities	7
Notes to Financial Statements	8-18
Required Supplementary Information	
Budgetary Comparison Schedule - Major Governmental Funds	19
Major Governmental Funds	
<u>General Fund</u>	
Balance Sheet	20
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	21
<u>Road Fund</u>	
Balance Sheet	22
Schedule of Revenues, Expenditures and Changes In Fund Balance - Budget and Actual	23
<u>Budget Stabilization Fund</u>	
Balance Sheet	24
Statement of Revenues, Expenditures and Changes In Fund Balance	25
Agency Funds	
<u>Current Tax Collection Fund</u>	
Statement of Changes in Assets and Liabilities	26
Other Information	
Statement of 2005 Tax Roll	27
Letter of Comments and Recommendations	28-29
Letter of Reportable Conditions	30-31

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CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2006

INDEPENDENT AUDITORS' REPORT

To the Township Board
Reeder Township
Missaukee County
Lake City, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Reeder Township, Missaukee County, Lake City, Michigan as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Reeder Township, Missaukee County, Lake City, Michigan as of March 31, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the Township has implemented a new financial reporting model as required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* as of April 1, 2004.

The management's discussion and analysis on pages iii through ix and budgetary comparison information on page 19 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinion on the financial statements that collectively comprise Reeder Township, Missaukee County, Lake City, Michigan's basic financial statements. The individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

REEDER TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Reeder Township, a general law township located in Missaukee County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, a requirement of GASB 34, is intended to be the Reeder Township board's discussion and analysis of the financial results for the fiscal year ended March 31, 2006.

Financial Highlights

- ◆ The assets of the Township exceeded its liabilities at the close of the fiscal year by \$302,252. Of this amount, \$198,243 may be used to meet the township's ongoing obligations to citizens and creditors.
- ◆ As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$210,847. About 94.0% is available for spending at the Township's discretion.
- ◆ The Township is not obligated under any long-term debt as of March 31, 2006.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements The government-wide financial statements, required by GASB 34, are new and being shown for the first time in 2006 for Reeder Township. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods.

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that

REEDER TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are “measurable” and “currently available” are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government’s near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township does not maintain any proprietary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township’s financial position over time. The Net Assets of the Township are \$302,252 at March 31, 2006, meaning the Township’s assets were greater than its liabilities by this amount.

REEDER TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Reeder Township
Net Assets as of March 31, 2006

	Governmental Activities
Assets	
Current Assets	\$ 216,987
Non Current Assets	
Capital Assets	109,453
Less: Accumulated Depreciation	18,048
Total Non Current Assets	91,405
Total Assets	\$ 308,392
Liabilities	
Current Liabilities	\$ 6,140
Net Assets	
Invested in Capital Assets	91,405
Restricted for Specific Purposes	12,604
Unrestricted	198,243
Total Net Assets	302,252
Total Liabilities and Net Assets	\$ 308,392

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others). The Township has \$198,243 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets for the government as a whole, as well as for its separate governmental activities.

The total net assets of the Township increased by \$86,686 in this fiscal year, which is an indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

REEDER TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Reeder Township
Change in Net Assets
for the Fiscal Year Ended March 31, 2006

	<u>Governmental Activities</u>
<u>Revenues</u>	
Program Revenues	
Charges for Services	\$ 2,870
Capital Grants and Contributions	4,800
General Revenues	
Taxes	92,446
State Grants	79,858
Interest Earnings	2,021
Other	651
Total Revenues	<u>182,646</u>
<u>Expenses</u>	
Legislative	3,284
General Government	65,480
Public Safety	14,706
Public Works	4,545
Other Functions	7,945
Total Expenses	<u>95,960</u>
Changes in Net Assets	86,686
NET ASSETS – Beginning of Year	<u>215,566</u>
NET ASSETS – End of Year	<u>\$ 302,252</u>

Governmental Activities

During the fiscal year ended March 31, 2006, the Township's net assets increased by \$86,686 in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant portion of the revenue for all governmental activities of Reeder Township comes from property taxes. The Township levied 1.4815 mills for operating purposes and 1.9291 mills for road improvement.

REEDER TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax.

The Township's governmental activities expenses are dominated by general governmental expenses that total 68.2% of total expenses. The Township spent \$65,480 in fiscal year 2006 on General Administrative expenses. Public Safety represented the next largest expense at \$14,706, or 15.3% of total expenses. Expenses for salaries and contracted services represent a large portion of the General Administrative expenses at \$30,320. Depreciation expense added another \$1,772. An additional \$1,868 of depreciation expense was charged to Public Works.

Business-Type Activities

The Township does not maintain any Business-Type Activities.

Financial Analysis of the Government's Funds

Governmental Funds The focus of Reeder Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Reeder Township's governmental funds reported combined ending fund balances of \$210,847. Approximately 94.0%, or \$198,243 constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for road improvement must be used for expenditures that relate to road improvement.

General Fund – The General Fund increased its fund balance by \$3,922 which brings the fund balance to \$198,243. The General Fund's fund balance is unreserved. All of the General Fund's functions, except for General Government, ended the year with expenditures below budgeted amounts. The General Government differential was funded by available fund balance. Property taxes amounted to \$38,356. State shared revenues were collected in the amount of \$76,551.

Road Fund – The Road Fund increased its fund balance by \$6,878 which brings the fund balance to \$6,878. This balance is reserved and must be used for road improvements. Property taxes collected amounted to \$49,946.

Budget Stabilization Fund – The Budget Stabilization Fund increased its fund balance by \$23 which brings the fund balance to \$5,726. This balance is reserved and must be used for budget stabilization.

Proprietary Fund – The Township does not maintain any proprietary funds.

REEDER TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental activities as of March 31, 2006 amounted to \$91,405 net of accumulated depreciation. The Township invested \$79,503 in capital assets for the current fiscal year.

Capital assets summarized below include any items purchased with a cost greater than \$2,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

Reeder Township	
Capital Assets as of March 31, 2006	
	Governmental
	Activities
Land	\$ 101
Building Improvements	29,849
Infrastructure	74,703
Equipment	4,800
	<hr/> 109,453
Less Accumulated Depreciation	<hr/> 18,048
Net Capital Assets	\$ <u>91,405</u>

Major capital asset events during the current fiscal year include:

- Paved Cadillac Rd from VDM Rd to Forward Rd at a cost of \$74,703.
- Acquired a ballot scanner through a state grant at an approximate value of \$4,800.

Long-Term Debt. Reeder Township has no obligation for any long-term debt as of March 31, 2006.

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential further reductions in state-shared revenues.

A road millage will be once again levied for the 2006 tax roll.

These factors were considered in preparing the Township's budgets for the 2006-07 fiscal year.

REEDER TOWNSHIP, MISSAUKEE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED MARCH 31, 2006

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Reeder Township at 3049 S. Vandermeulen Road, Lake City, Michigan 49651.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF NET ASSETS
MARCH 31, 2006

	<u>GOVERNMENTAL ACTIVITIES</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	\$ 186,494
Receivables	
Taxes	12,160
External Parties (Fiduciary Funds)	18
Due from Other Governments	<u>18,315</u>
Total Current Assets	<u>216,987</u>
 <u>CAPITAL ASSETS</u>	
Land	101
Building Improvements	29,849
Infrastructure	74,703
Equipment	<u>4,800</u>
	109,453
Less Accumulated Depreciation	<u>18,048</u>
Net Capital Assets	<u>91,405</u>
 TOTAL ASSETS	 <u>308,392</u>
 <u>LIABILITIES</u>	
<u>CURRENT LIABILITIES</u>	
Accounts Payable	4,983
Payroll Taxes and Withholdings	<u>1,157</u>
Total Current Liabilities	<u>6,140</u>
 <u>NET ASSETS</u>	
Invested in Capital Assets	91,405
Restricted for	
Road Improvement	6,878
Budget Stabilization	5,726
Unrestricted	<u>198,243</u>
TOTAL NET ASSETS	<u><u>\$ 302,252</u></u>

The accompanying notes are an integral part of the financial statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2006

					NET (EXPENSES)
					REVENUES
					AND CHANGE
					IN NET ASSETS
					TOTAL
					GOVERNMENTAL
					ACTIVITIES
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
GOVERNMENTAL ACTIVITIES					
Legislative	\$ 3,284	\$ 0	\$ 0	\$ 0	\$ (3,284)
General Government	65,480	2,870	0	4,800	(57,810)
Public Safety	14,706	0	0	0	(14,706)
Public Works	4,545	0	0	0	(4,545)
Other Functions	7,945	0	0	0	(7,945)
Total Governmental Activities	\$ 95,960	\$ 2,870	\$ 0	\$ 4,800	(88,290)
GENERAL REVENUES					
Taxes					92,446
State Grants					79,858
Interest Earnings					2,021
Other					651
Total General Revenues					174,976
Change in Net Assets					86,686
NET ASSETS - Beginning of Year					215,566
NET ASSETS - End of Year					\$ 302,252

The accompanying notes are an integral part of the financial statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

MARCH 31, 2006

	GENERAL FUND	ROAD FUND	BUDGET STABILIZATION FUND	TOTALS
<u>ASSETS</u>				
Cash	\$ 180,768	\$ 0	\$ 5,726	\$ 186,494
Taxes Receivable	5,282	6,878	0	12,160
Due From Other Governments	18,315	0	0	18,315
Due From Other Funds	18	0	0	18
Total Assets	<u>\$ 204,383</u>	<u>\$ 6,878</u>	<u>\$ 5,726</u>	<u>\$ 216,987</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
<u>LIABILITIES</u>				
Accounts Payable	\$ 4,983	\$ 0	\$ 0	\$ 4,983
Payroll Taxes and Withholdings	1,157	0	0	1,157
Total Liabilities	<u>6,140</u>	<u>0</u>	<u>0</u>	<u>6,140</u>
 <u>FUND BALANCE</u>				
Reserved for:				
Road Improvement	0	6,878	0	6,878
Budget Stabilization	0	0	5,726	5,726
Unreserved				
Undesignated	198,243	0	0	198,243
Total Fund Balance	<u>198,243</u>	<u>6,878</u>	<u>5,726</u>	<u>210,847</u>
 TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 204,383</u>	<u>\$ 6,878</u>	<u>\$ 5,726</u>	<u>\$ 216,987</u>

The accompanying notes are an integral part of the financial statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
MARCH 31, 2006

Total Fund Balances for Governmental Funds	\$ 210,847
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land	101	
Building Improvements	29,849	
Infrastructure	74,703	
Equipment	4,800	
Accumulated Depreciation	(18,048)	91,405

NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 302,252</u>
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The accompanying notes are an integral part of the financial statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY

LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED MARCH 31, 2006

	GENERAL FUND	ROAD FUND	BUDGET STABILIZATION FUND	TOTALS
<u>REVENUES</u>				
Taxes	\$ 42,500	\$ 49,946	\$ 0	\$ 92,446
State Grants	81,351	3,307	0	84,658
Charges for Services	2,870	0	0	2,870
Interest and Rents	1,998	0	23	2,021
Other Revenues	651	0	0	651
Total Revenues	129,370	53,253	23	182,646
<u>EXPENDITURES</u>				
Legislative	3,284	0	0	3,284
General Government	68,508	0	0	68,508
Public Safety	14,706	0	0	14,706
Public Works	0	77,380	0	77,380
Other Functions	7,945	0	0	7,945
Total Expenditures	94,443	77,380	0	171,823
Excess (Deficiency) of Revenues Over Expenditures	34,927	(24,127)	23	10,823
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	0	31,005	0	31,005
Transfers Out	(31,005)	0	0	(31,005)
Total Other Financing Sources (Uses)	(31,005)	31,005	0	0
Net Change in Fund Balance	3,922	6,878	23	10,823
<u>FUND BALANCE</u> - Beginning of Year	194,321	0	5,703	200,024
<u>FUND BALANCE</u> - End of Year	\$ 198,243	\$ 6,878	\$ 5,726	\$ 210,847

The accompanying notes are an integral part of the financial statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
MARCH 31, 2006

Net change in Fund Balance - Total Governmental Funds	\$ 10,823
Amounts reported for governmental activities are different because:	
Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.	
Depreciation Expense	(3,640)
Capital Outlay	<u>79,503</u>
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 86,686</u></u>

The accompanying notes are an integral part of the financial statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
MARCH 31, 2006

	<u>AGENCY FUNDS</u>
<u>ASSETS</u>	
Cash	<u>\$ 18</u>
<u>LIABILITIES</u>	
Due to General Fund	<u>\$ 18</u>

The accompanying notes are an integral part of the financial statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Reeder Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by accounting principles generally accepted in the United States of America, the Township has determined that there are no component units which should be included in its reporting entity.

B. Government-wide and Fund Financial Statements

During fiscal year 2005, the Township adopted GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by GASB Statements No. 37 and No. 38, and applied those standards on a retroactive basis. GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Reeder Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Fund* accounts for revenue sources that are legally restricted to expenditure for road maintenance.

The *Budget Stabilization Fund* accounts for revenue sources that are legally restricted to stabilizing the budget.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Additionally, Reeder Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

The investment policy adopted by the Township states that the treasurer may invest Township funds in certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank but only if the bank, savings and loan association, or credit union meets all criteria as a depository of public funds contained in state law.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of

interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and one-third of county taxes are levied and due July 1, and become delinquent after September 14. The remaining millages are levied and due December 1, and become delinquent after February 14. Collections of taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

measurable and available for use to finance Township operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2005 taxable valuation of Reeder Township totaled \$25,889,902, on which ad valorem taxes levied consisted of 1.4815 mills for Reeder Township operating purposes and 1.9291 mills for road improvements. The levies raised \$38,356 for operating purposes and \$49,946 for road improvements.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$2,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant and equipment of the primary government, as well as the component units are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Building improvements	20
Land improvements	20
Infrastructure	20
Vehicles	5
Equipment and Furniture	5-10

Reeder Township qualifies as a phase 3 governmental unit in regards to the implementation of GASB 34. Phase 3 governmental units are not required to retroactively capitalize infrastructure. As a result, the Township began to capitalize and depreciate infrastructure April 1, 2004, in accordance with the Township's capitalization policy.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

5. *Long-term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. *Budgetary Information*

The annual budget is adopted on the modified accrual basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts are as originally adopted on March 9, 2005, or as amended by the Township Board from time to time throughout the year.

The appropriated budget is prepared by fund and activity. The Township Board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is, at present, not considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

B. Funds with expenditures in excess of appropriations were as follows:

	<u>APPROPRIATIONS</u>		<u>EXPENDITURES</u>
General Fund			
General Government	\$ 66,500	\$	68,508

These overages were funded by greater than anticipated revenues and available fund balance.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The Township's deposits are all on deposit with Chemical Bank West in Cadillac, Michigan.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of March 31, 2006, \$80,768 of the government's bank balance of \$186,836 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end, the Township held no investments.

B. Receivables

Receivables as of year end for the government's individual major funds are as follows:

	<u>General</u>		<u>Road</u>		<u>Total</u>
Receivables					
Taxes	\$ 5,282	\$	6,878	\$	12,160
Due from Other Governments	18,315		0		18,315
Total	<u>\$ 23,597</u>	\$	<u>6,878</u>	\$	<u>30,475</u>

The allowance for doubtful accounts is not considered to be material for disclosure. As a result, its uncollectible accounts are virtually nil.

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the fiscal year, the Township did not have any deferred revenue.

No deferred revenue was recorded in any of the funds at the end of the current fiscal year.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

C. Capital Assets

Primary Government

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 101	\$ 0	\$ 0	\$ 101
Capital assets, being depreciated				
Building Improvements	29,849	0	0	29,849
Infrastructure	0	74,703	0	74,703
Equipment	0	4,800	0	4,800
Total capital assets, being depreciated	29,849	79,503	0	109,352
Less accumulated depreciation for:				
Building Improvements	14,408	1,492	0	15,900
Infrastructure	0	1,868	0	1,868
Equipment	0	280	0	280
Total accumulated depreciation	14,408	3,640	0	18,048
Total capital assets, being depreciated, net	15,441	75,863	0	91,304
Governmental activities capital assets, net	\$ 15,542	\$ 75,863	\$ 0	\$ 91,405

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

General Government	\$ 1,772
Public Works	1,868
	<u>\$ 3,640</u>

Construction Commitments:

The government has no outstanding construction commitments as of March 31, 2006.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at March 31, 2006, were:

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

<u>Fund</u>	INTERFUND RECEIVABLES DUE FROM'S	INTERFUND PAYABLES DUE TO'S
General Fund	\$ 18	\$ 0
Fiduciary Fund		
Current Tax Collection Fund	0	18
Total Primary Government	\$ 18	\$ 18

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of March 31, 2006 were:

<u>Primary Government</u>	IN	TRANSFERS OUT
General Fund	\$ 0	\$ 31,005
Road Fund	31,005	0
	\$ 31,005	\$ 31,005

Transfers are used (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

E. Long-Term Debt

At March 31, 2006, the Township was not obligated for any long-term debt.

F. Fund Balance Reserves

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances in various funds. These reserves are detailed in the following schedule:

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

FUND BALANCE/NET ASSETS

Reserved	
Special Revenue Funds	
Road Fund	
Road Improvement	\$ 6,878
Budget Stabilization Fund	
Budget Stabilization	5,726
TOTAL FUND BALANCE/NET ASSETS RESERVES	\$ <u>12,604</u>

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, workers compensation insurance and errors and omissions insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

B. Lake Missaukee Area Fire Authority

The Lake Missaukee Area Fire Authority is a joint venture by and between the City of Lake City and the townships of Caldwell, Forest, Lake, Pioneer and Reeder. This joint venture was created to provide fire protections for the listed governments. Each municipality pays an annual base amount equal to one-half of one mill of taxable value of the real property located in the areas of the municipality covered by this agreement. In addition, the Township pays at least \$150 per fire run within the township which could be reimbursed.

In addition to the annual contribution, each township was required to contribute monies in order to construct a fire station.

For the year ended March 31, 2006, the Township contributed a total of \$14,706 to the Fire Authority.

The following information was taken from the Fire Authority's March 31, 2005 audited financial statements:

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2006

Total Net Assets	\$ 479,585
Net Assets Invested in Capital Assets Net of Related Debt	460,976
Fund Balance – Unreserved	18,609
Total Revenues	126,373
Total Expenditures	277,140
Proceeds from Issuance of Debt	100,000
Net Increase (Decrease) in Fund Balance	(50,767)

A copy of these audited financial statements may be obtained upon request from the Fire Authority Treasurer.

C. Financing Arrangements

On December 29, 2004, Lake Township cosigned a loan from Chemical Bank West in the amount of \$100,000. This loan is the responsibility of Lake Missaukee Area Fire Authority. The loan was used to purchase a new fire truck which is collateral for the loan. Payments are due annually beginning June 5, 2005, in installments of \$21,711 including interest at 3.49%. The loan is due in full by June 1, 2009. In the event of default by the Fire Authority, the Township would potentially be liable for the unpaid balance on the loan. The assets and debt associated with the asset are not shown on the Township records. Both will be accounted for in the Fire Authority's records. No liability has been recorded as of year end, as it is unlikely that the Township will need to disburse any funds.

D. Property Tax Administration Fee

The Township passed a resolution to charge 1% administration fee on summer ad valorem taxes levied.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenue generated by the administration fee so that a restricted earnings account is not reflected in the statements.

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED MARCH 31, 2006

	GENERAL FUND			ROAD FUND			BUDGET STABILIZATION FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
<u>REVENUES</u>									
Taxes	\$ 0	\$ 0	\$ 42,500	\$ 0	\$ 0	\$ 49,946	\$ 0	\$ 0	\$ 0
State Grants	0	0	81,351	0	0	3,307	0	0	0
Charges for Services	0	0	2,870	0	0	0	0	0	0
Interest and Rents	0	0	1,998	0	0	0	0	0	23
Other Revenues	0	0	651	0	0	0	0	0	0
Total Revenues	0	0	129,370	0	0	53,253	0	0	23
<u>EXPENDITURES</u>									
Legislative									
Township Board	4,500	4,500	3,284	0	0	0	0	0	0
General Government									
Supervisor	8,000	8,000	8,271	0	0	0	0	0	0
Assessor	17,000	23,200	22,400	0	0	0	0	0	0
Clerk	11,000	11,000	10,006	0	0	0	0	0	0
Board of Review	2,000	2,000	1,525	0	0	0	0	0	0
Treasurer	16,000	16,000	18,648	0	0	0	0	0	0
Elections	1,500	1,500	5,021	0	0	0	0	0	0
Building and Grounds	4,000	4,000	2,012	0	0	0	0	0	0
Cemetery	800	800	625	0	0	0	0	0	0
Public Safety	21,000	21,000	14,706	0	0	0	0	0	0
Public Works	0	0	0	130,000	123,800	77,380			
Other Functions	9,000	9,000	7,945	0	0	0	0	0	0
Contingency	1,000	1,000	0	0	0	0	0	0	0
Total Expenditures	95,800	102,000	94,443	130,000	123,800	77,380	0	0	0
Excess (Deficiency) of Revenues Over Expenditures	(95,800)	(102,000)	34,927	(130,000)	(123,800)	(24,127)	0	0	23
<u>OTHER FINANCING SOURCES (USES)</u>									
Transfers In	0	0	0	0	0	31,005	0	0	0
Transfers Out	0	0	(31,005)	0	0	0	0	0	0
Total Other Financing Sources (Uses)	0	0	(31,005)	0	0	31,005	0	0	0
Net Change in Fund Balance	(95,800)	(102,000)	3,922	(130,000)	(123,800)	6,878	0	0	23
<u>FUND BALANCE</u> - Beginning of Year	194,321	194,321	194,321	0	0	0	5,703	5,703	5,703
<u>FUND BALANCE</u> - End of Year	\$98,521	\$ 92,321	\$198,243	\$(130,000)	\$(123,800)	\$ 6,878	\$ 5,703	\$ 5,703	\$ 5,726

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 180,768
Taxes Receivable	5,282
Due from Other Funds	18
Due from Other Governments	<u>18,315</u>
 TOTAL ASSETS	 <u><u>\$ 204,383</u></u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 4,983
Payroll Taxes and Withholdings	<u>1,157</u>
 Total Liabilities	 6,140

FUND BALANCE

Unreserved	<u>198,243</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u><u>\$ 204,383</u></u>

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>		<u>ACTUAL</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	
<u>REVENUES</u>			
Taxes	\$ 0	\$ 0	\$ 42,500
State Grants	0	0	81,351
Charges for Services	0	0	2,870
Interest and Rents	0	0	1,998
Other Revenues	0	0	651
Total Revenues	0	0	129,370
<u>EXPENDITURES</u>			
Legislative			
Township Board	4,500	4,500	3,284
General Government			
Supervisor	8,000	8,000	8,271
Assessor	17,000	23,200	22,400
Clerk	11,000	11,000	10,006
Board of Review	2,000	2,000	1,525
Treasurer	16,000	16,000	18,648
Elections	1,500	1,500	5,021
Building and Grounds	4,000	4,000	2,012
Cemetery	800	800	625
Public Safety	21,000	21,000	14,706
Other Functions	9,000	9,000	7,945
Contingency	1,000	1,000	0
Total Disbursements	95,800	102,000	94,443
Excess (Deficiency) of Revenues Over Expenditures	(95,800)	(102,000)	34,927
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers Out	0	0	(31,005)
Net Change in Fund Balance	(95,800)	(102,000)	3,922
<u>FUND BALANCE</u> - Beginning of Year	194,321	194,321	194,321
<u>FUND BALANCE</u> - End of Year	\$ 98,521	\$ 92,321	\$ 198,243

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

ROAD FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Taxes Receivable	<u>\$ 6,878</u>
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LIABILITIES AND FUND BALANCE

<u>LIABILITIES</u>	\$ 0
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FUND BALANCE

Reserved for Road Improvement	<u>6,878</u>
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TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 6,878</u>
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REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

ROAD FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2006

	<u>BUDGET</u>		
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>			
Taxes	\$ 0	\$ 0	\$ 49,946
State Grant	0	0	3,307
Total Revenues	0	0	53,253
<u>EXPENDITURES</u>			
Public Works			
Highways, Streets and Bridges			
Other Services and Charges			
Repairs and Maintenance	0	0	2,677
Capital Outlay	130,000	123,800	74,703
Total Expenditures	130,000	123,800	77,380
Excess (Deficiency) of Revenues Over Expenditures	(130,000)	(123,800)	(24,127)
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	0	0	31,005
Net Change in Fund Balance	(130,000)	(123,800)	6,878
<u>FUND BALANCE</u> - Beginning of Year	0	0	0
<u>FUND BALANCE</u> - End of Year - Deficit	<u>\$ (130,000)</u>	<u>\$ (123,800)</u>	<u>\$ 6,878</u>

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

BUDGET STABILIZATION FUND

BALANCE SHEET
MARCH 31, 2006

ASSETS

Cash	\$ 5,726
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FUND BALANCE

<u>FUND BALANCE</u>	
Reserved for Budget Stabilization	\$ 5,726

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

BUDGET STABILIZATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 2006

REVENUES

Interest and Rents	\$ 23
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EXPENDITURES

<u>0</u>

Excess (Deficiency) of Revenues Over Expenditures	23
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<u>FUND BALANCE</u> - Beginning of year	<u>5,703</u>
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<u>FUND BALANCE</u> - End of Year	<u><u>\$ 5,726</u></u>
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REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

YEAR ENDED MARCH 31, 2006

	BALANCE			BALANCE
	4/1/2005	ADDITIONS	DEDUCTIONS	3/31/2006
<u>CURRENT TAX COLLECTION FUND</u>				
	<u>ASSETS</u>			
Cash	\$ 86	\$ 743,731	\$ 743,799	\$ 18
	<u>LIABILITIES</u>			
Due to Other Funds	\$ 86	\$ 81,110	\$ 81,178	\$ 18
Due to Other Governments	0	662,621	662,621	0
Total Liabilities	\$ 86	\$ 743,731	\$ 743,799	\$ 18

REEDER TOWNSHIP, MISSAUKEE COUNTY
LAKE CITY, MICHIGAN

STATEMENT OF 2005 TAX ROLL
MARCH 31, 2006

TAXES ASSESSED

County	\$ 192,009	
County - State Education Tax	155,120	
Township		
Operating	38,356	
Roads	49,946	
Schools		
Lake City Area Schools	154,590	
McBain Rural Agricultural School	93,322	
Intermediate School		
Wexford-Missaukee	<u>154,353</u>	837,696

TAXES COLLECTED

County	128,663	
County - State Education Tax	144,968	
Township		
Operating	33,074	
Roads	43,068	
Schools		
Lake City Area Schools	130,283	
McBain Rural Agricultural School	81,760	
Intermediate School		
Wexford-Missaukee	<u>133,099</u>	<u>694,915</u>

TAXES RETURNED DELINQUENT

County	63,346	
County - State Education Tax	10,152	
Township		
Operating	5,282	
Roads	6,878	
Schools		
Lake City Area Schools	24,307	
McBain Rural Agricultural School	11,562	
Intermediate School		
Wexford-Missaukee	<u>21,254</u>	<u>\$ 142,781</u>

134 WEST HARRIS STREET
CADILLAC, MICHIGAN 49601
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MICHAEL D. COOL, C.P.A.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2006

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Reeder Township, Missaukee County
Lake City, Michigan

During the course of our audit of the basic financial statements of the Reeder Township for the year ended March 31, 2006, we noted the following items:

Budgeting

The Public Act 621 states that the budget document that the Township adopts include the following financial information.

The actual results from the prior year

An estimate of the current year results

The proposed budget for the upcoming year

Amounts for contingencies, if appropriate

The amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted revenues and expenditures.

The Township board is also responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated.

The adoption of the budgets for each fund should be clearly noted in the board minutes, as well as any amendments to the budget throughout the year. A budget that includes revenues and expenditures should be adopted each year for the General fund, Budget Stabilization fund and Road fund.

GASB 34

The Government Accounting Standards Board has issued Statement #34. We have assisted the Township with complying with the GASB 34 requirements of the State of Michigan and GASB. The financial statements are quite different as a result of this drastic change. We recommend the board review the new financial statements, and we are available to help explain the changes in detail, if needed.

General Recordkeeping

The accounting records for the year ended March 31, 2006, were found to be in good order and in compliance with the State's uniform accounting system. We would like to commend the Clerk and Treasurer for their fine job of recordkeeping.

We would like to thank the Board for its continued confidence in our firm and to thank the Township Clerk and Treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

June 7, 2006

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Reeder Township, Missaukee County
Lake City, Michigan

In planning and performing our audit of the basic financial statements of the Reeder Township, Missaukee County, Lake City, Michigan for the year ended March 31, 2006, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.